

**Nebraska Information Technology Commission**

**Project Proposal Form**

**New or Additional State Funding Requests  
for Information Technology Projects**

**FY2003-05 Biennium**

<b>Project Title</b>	<b>HHSS HIPAA Project</b>
<b>Agency/Entity</b>	<b>Health and Human Services System</b>

**Project Proposal Form**  
**FY2003-05 Biennium****Section I: General Information**

Project Title	HIPAA Project
Agency (or entity)	Health and Human Services System

## Contact Information for this Project:

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**Section II: Executive Summary**

The State of Nebraska Health and Human Services System (HHSS) is comprised of three human services agencies. Within HHSS, the Department of Health and Human Services Finance and Support department, hereafter referred to as the Department, is the state agency designated to administer the Nebraska Medical Assistance Program (NMAP). Nebraska has a certified and operational Medicaid Management Information System (MMIS). The Department serves as the fiscal agent for the NMAP.

As a 'covered entity', the NMAP must address HIPAA compliance. The Department recently completed two planning projects related to the enhancement of the MMIS to meet HIPAA mandates and improve current business and data processes. An assessment of the impact of HIPAA legislation on its Medicaid operations and the MMIS has been completed and a project to create a new logical database model for the MMIS was concluded earlier this year. Both projects were approved by the Centers for Medicare and Medicaid (CMS – formerly HCFA) and funded at the 90% FFP level.

Achieving compliance with HIPAA regulations will require major change to the existing MMIS. Nebraska's 25 year old MMIS does not support all mandated functionality and will require broad system enhancements. N-FOCUS and several other mid-range applications will also have HIPAA impacts and require changes.

While remediation of the MMIS is by far the largest effort for HIPAA compliance, additional automated application systems and programs are impacted by HIPAA. These include Distributed Systems, AVATAR/AIMS (case management software used by the 24 hour facilities), N-FOCUS, all health systems, Mental Health and Substance abuse programs and applications, Point of Sale Drug system used by pharmacists statewide, Developmental disability programs and any other applications/programs providing direct services.

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**Section III: Goals, Objectives, and Projected Outcomes (15 Points)**

The results of the analysis projects conclude that to comply with HIPAA Administrative Simplification requirements it will be necessary to:

- Organize a Health and Human Services System HIPAA Project Office to oversee the complete incorporation of HIPAA requirements,
- Implement a HIPAA Implementation organization to lead the enhancement and system implementation efforts
- Create a phased project approach for the implementation of the HIPAA mandates and enhanced functionality,
- Enhance the State's MMIS beyond the limits of its current structure and capacity
- Restructure and consolidate the existing MMIS databases using the new logical database model before undertaking major modifications or enhancements,
- Incorporate extensive application modifications for new and expanded functionality, and
- Decrease reliance on manual business processes to improve the efficiency of Medicaid operations.

The Department has, in the process of planning and preparing for HIPAA, determined that there are other Medicaid activities occurring within HHSS that were not included in its MMIS gap analysis. Additional gap analysis for these functions will be the responsibility of the HHSS HIPAA Project Office.

The effort to meet these requirements is broken into two phases. The first includes enhancement of the MMIS and Medicaid business process to achieve HIPAA-readiness for key HIPAA transactions with the second including subsequent activities for further MMIS enhancements, additional business process modifications and to implement additional functionality and HIPAA requirements into the Medicaid organization and systems.

**Section IV: Project Justification / Business Case (25 Points)**

In 1996, congress enacted the Health Insurance Portability and Accountability Act (HIPAA) (Pub. Law 104-191). One part of the act dealt with the portability of health insurance for people leaving or changing places of employment. Another part of the act addressed the high administrative costs of the nation's health system by standardizing and mandating electronic data interchange of certain administrative and financial transactions in order to achieve "administrative simplification". Transactions standards, security, privacy, and other regulations are essential elements of a new system that emphasizes electronic data exchanges.

HIPAA represents a significant challenge for state and local governments, because of legal liability, the complexity of the regulations, uncertainty about what entities are affected, cost of compliance and the short timeframe for implementation. Transaction standards must be in place by October 16, 2002, with possible approval of a federal extension to October 16, 2003. (Nebraska HHSS has applied for and received the federal extension) The current deadline for implementing privacy standards is April 14, 2003. Seven additional regulations are pending enactment. HIPAA affects BOTH computer systems and operational procedures.

There are both civil and criminal penalties for non-compliance. Criminal penalties range up to \$250,000 and 10 years in prison for anyone obtaining or disclosing protected health information with the intent to sell, transfer or use it for commercial advantage, personal gain or malicious harm.

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**Section V: Technical Impact (20 Points)**

The Department's plan to achieve MMIS enhancement and HIPAA readiness involves incorporation of required new and modified functionality within the MMIS changes to Medicaid business processes and use of "translator software". The following items are necessary for the project to occur successfully:

- A system level project office (HHSS HIPAA Project Office) to oversee: the MMIS project, provider and staff awareness and communication, trading partner agreements, analysis and interpretation of regulations, facilitation of audit activities, risk assessment, gap analysis and planning for the effects of HIPAA on MMIS interfaces with HHSS applications and business processes, security and privacy.
- A MMIS Project Team including management, business and technical staff dedicated to the HIPAA compliance effort,
- Utilization of a phased project plan allowing implementation of the 835 and 837 transactions initially and a subsequent full MMIS and business process enhancement effort for full HIPAA compliance,
- Enhancement of the MMIS to initially allow for the receipt and processing of the 837 transactions and the sending of the 835 transaction and subsequently all HIPAA transactions,
- Implementation of the new logical data model created for the MMIS and associated functional changes required,
- Installation of a translation software platform to format/translate X12N HIPAA transactions, creation of processing on the platform and connection to the MMIS, and
- Modification of Medicaid business processes to allow for HIPAA required functionality, improve data flow and enhance services provided.

HHSS believes the enhancement of the State's current MMIS is the best alternative for achieving HIPAA compliance while providing for desired system improvements. While extensive modifications will be required to the MMIS and business processes, an intimate knowledge of how business is currently conducted and data processed is necessary if disruption in services is to be avoided. HHSS is prepared to provide the project team necessary to complete the required work including management, business and technical staff. This will be done in conjunctions with the Nebraska Department of Administrative Services, Information Management Services (IMS) division who currently provides technical support of the MMIS.

HHSS will also replace/purchase/rewrite other information systems requiring HIPAA compliance. These include but are not limited to:

AIMS/AVATAR (used by the Regional Centers and BSDC)

Magellan

First Health Point of Sale Pharmacy systems

MDS (Minimal Data Set) used by the Veteran's Homes

HHSS is required under the HIPAA regulation to train all staff (approximately 6000) on the Privacy and Security HIPAA regulations, we plan to do this both via the Intranet and stand up depending on the level of private health information each staff person has access to based on their job classification and assignment.

HHSS is in the process of writing an additional APD for CMS (Centers for Medicare and Medicaid – formerly HCFA) to obtain FFP matching for these expenditures.

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**Section VI: Preliminary Plan for Implementation (10 Points)**

Phase I will include system and business process changes required to implement the 835 and 837 HIPAA transactions. This phase represents the initial effort necessary to ensure that providers can continue to bill procedures and be paid and is based on the Workgroup for Electronic Data Interchange (WEDI) Strategic National Implementation Process (SNIP) transaction sequencing proposal. This will allow a standardized approach and facilitate testing with business partners prior to implementation. Tasks in the Phase I effort include:

- Enhancement of the MMIS claims subsystem for receipt and processing to use the 837 transactions,
- Enhancement of the remittance advice functionality to send the 835 transaction with required information from the 837 transactions,
- Modification of Medicaid business processes related to the 837 and 835 functional changes,
- Implementation of national code set values so they can be processed from the 837 and sent on the 835,
- Modification of processing for paper claims submittals and remittance advice as needed within new and enhanced functionality, and
- Installation of translator software used to format/send X12N transactions, development of processing and connection to the MMIS.

There are a number of MMIS Modifications that will be tracked and monitored by project management:

PHASE 1 HIPAA MMIS Modifications

PHASE 1 HIPAA – Claims Inquiry, Adjustment and Resolution

PHASE 1 HIPAA – Professional/Dental Entry and Resolution

PHASE 1 HIPAA – Batch Entry and Routing

PHASE 1 HIPAA – Claims Edits

PHASE 1 HIPAA – Pricing

PHASE 1 HIPAA – Claim Payment/Reporting

PHASE 1 HIPAA – Institutional Online

PHASE 1 HIPAA – Translator

PHASE 1 HIPAA – Translator Implementation

PHASE 1 HIPAA – Translator Development

PHASE 1 HIPAA - First Health – Conversion to SX (Pharmacy Point of Sale)

PHASE 1 HIPAA – Database support

**Section VII: Risk Assessment (10 Points)**

See the attached slide that identifies the barriers and risks:



Microsoft PowerPoint  
Slide



Strategies to minimize risk include:

In March 2001, Steve Curtiss, the Director of Finance and Support established the HIPAA Steering Committee to coordinate an agency-wide response to HIPAA requirements and deadlines. The Steering committee includes representatives for all sectors of HHSS. The primary focus since March has been to encourage a self-assessment of the impact of HIPAA on the other systems and programs in HHSS. The Steering Committee is now moving to establish TAG's (Technical Advisory Groups) representing the various programs and computer systems within the agency.

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HHSS continues to use the TAG's and the Steering Committee to determine the amount of resource needed to make the changes required for federal compliance in the first 2 of the projected 9 HIPAA federal legislative changes.

The HIPAA Project Office and the TAGs have identified a number of initiatives that will have to be part of the Department's HIPAA compliance. Plans and budgets are in progress to define and track these items. They include:

HIPAA Project Management Office Start Up  
Privacy/Security/Transaction Compliance  
Risk Remediation  
Policy and Procedures – Governance/Oversight and Tracking  
Vendor Management – Business Associate Agreements/Trading Partner Agreements  
Data use and Disclosure  
Facility Physical Safeguards  
Risk and Issue Management  
Security: Electronic, hardcopy and Other Private Health Information safeguards  
Contingency Plans  
Quality Assurance Plans  
Staff Training (statewide)  
Performance Improvement Detail Workplan  
Internet/Intranet Privacy Detail workplans  
Private Health Information databases and Matrices

**Section VIII: Financial Analysis and Budget (20 Points)**

Financial and budget information:

The excel spreadsheet covers the details of the costs for the MMIS development related part of the HIPAA project. The spreadsheet also includes the charges tracked under MMIS (separate from the HIPAA tracking).



Excel Spreadsheet  
(Double-click)



The word document includes more complete information about the entire effort related to HIPAA by HHSS:



"NITC HIPAA budget  
est.doc"



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Full HIPAA rules and timeframes are unknown, since they are being advanced piece by piece, making a complete analysis and planning effort difficult. Details are in the embedded document:



"Ongoing HIPAA  
Challenges.doc"



The agency budget for the MMIS related portion of the HIPAA budget is in 26-67-xx where xx is a variety of subprograms used to differentiate between various phases. Funding for much of the MMIS related portion is a 90/10 federal to general fund split. Other parts of the overall effort and funded in a variety of sources in HHSS. At times the split is 90/10, other times 75/25, some times at 50/50 and yet other times all general funds must be used. HHSS has used the activity code feature of the NAS accounting system to track the HIPAA costs to date. With the new NIS, specific business units (BUs) have been designated for the tracking.

# Failure to comply with HIPAA by either Nebraska Medicaid or key providers could have devastating financial impact

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## Penalty

- HIPAA Sanctions (Civil Money Penalties)
  - Section 1176 of PL 104-191 allows \$100 up to 250 times per violation
  - Sections 1173(a-c) & 1175(a)1 subject us to 9 transactions, 5 code sets, 4 identifiers and 4 health plan rules
- Loss of FFP for services paid to Medicare Excluded Providers
  - Section 1903(i)2B of Title XIX
  - Section 1862(a)22 of Title XVIII
- Loss of MMIS FFP approval for failure to operate an approved MMIS
  - CMS State Medicaid Manual - Sect. 11100
- Reduction or suspension of all FFP
  - Section 1902 (a)(1,6-7) of Title XIX
- Loss of all federal health funding
  - Section 1128 (b)(5) Permissible

## Exclusion

## Estimated Impact

- Mandatory penalty for HIPAA non-compliance
  - Section 1173(a-c) violations : from \$1,800 to to \$450,000 per year of non-compliance
  - Section 1175 violations: from \$400 to \$100,000 per year of non-compliance
- Mandatory penalty imposed by the OIG in part, for example
  - \$196.2 million in 2001 for ten largest
  - FFP paid \$116.7 million of that total
- Mandatory penalty by CMS assessed on state Medicaid programs
  - FFP for FY 2001 was \$11.3 million out of \$14.7 million
- Permissive penalty subject to hearing
  - FFP for FY 2001 was \$600+ million
- Permissive penalty subject to hearing
  - Includes Title V, XVIII, XIX & XX
  - Over \$1 billion in HHSS





MMIS HIPAA DEVELOPMENT					MMIS REST OF BUDGET			
Db Cd	Debit Description	HIPAA Budget FY03	HIPAA Budget FY04	HIPAA Budget FY05	MMIS Budget FY03	MMIS Budget FY04	MMIS Budget \$\$'s	
02/05	Processor	\$ 1,354,320	\$ 924,000	\$ 924,000	\$ 1,018,252	\$ 1,555,664	\$ 2,515,508	
03	DB2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
11	Printing 1 part	\$ -	\$ -	\$ -	\$ 59,705	\$ 59,705	\$ 59,705	
12	Tape Mounts	\$ -	\$ -	\$ -	\$ 118,050	\$ 153,465	\$ 177,075	
13	Job Setup	\$ 1,213	\$ -	\$ -	\$ 90,198	\$ 92,904	\$ 95,691	
14	Disk Storage	\$ 201,600	\$ 105,000	\$ 105,000	\$ 273,395	\$ 325,796	\$ 413,510	
15	Job Output	\$ 14,616	\$ -	\$ -	\$ 39,943	\$ 41,141	\$ 42,375	
22	LAN Segment Connection	\$ 3,600	\$ 3,600	\$ 3,600	\$ -	\$ 1,200	\$ 3,600	
26	Fixed Function Term Conn.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
27	Direct SNA Comp. Conn.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
32	Online Viewing	\$ -	\$ -	\$ -	\$ 2,024	\$ 2,024	\$ 2,024	
34	CICS	\$ 207,000	\$ -	\$ -	\$ 397,613	\$ 495,691	\$ 561,297	
35	CICS Test	\$ -	\$ -	\$ -	\$ 13,383	\$ 16,684	\$ 18,892	
42	Printing 2 part	\$ -	\$ -	\$ -	\$ 260	\$ 260	\$ 260	
45	Overlays/Page Print	\$ -	\$ -	\$ -	\$ 149,283	\$ 149,283	\$ 149,283	
46	Warrant Printing	\$ -	\$ -	\$ -	\$ 14,455	\$ 14,455	\$ 14,455	
53	CMS-R22 Processor Prime	\$ -	\$ -	\$ -	\$ 370	\$ 370	\$ 370	
54	CMS-R22 Proc. Non-Prime	\$ -	\$ -	\$ -	\$ 32	\$ 32	\$ 32	
61	CMS-Local Printing 1part	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
62	CMS-Tape Mounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
63	CMS-File Recovery	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
64	CMS-Disk Storage	\$ -	\$ -	\$ -	\$ 71	\$ 71	\$ 71	
65	CMS-Job Print	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
72	DAS-Actg NAS/NEIS-SQL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
92	Lotus Notes Apps Transaction	\$ -	\$ -	\$ -	\$ 4,372	\$ 4,372	\$ 4,372	
93	Lotus Notes Apps Storage	\$ -	\$ -	\$ -	\$ 375	\$ 375	\$ 375	
107	Job Scheduler	\$ -	\$ -	\$ -	\$ 882	\$ 882	\$ 882	
109	Monthly Server Support	\$ 5,760	\$ 5,760	\$ 5,760	\$ -	\$ 1,920	\$ 5,760	
113	Network Contractor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
126	Systems Prog/Senior	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
201	SWI Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
207	AMC-Print Lines	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
305	IMS Training-Classes	\$ -	\$ -	\$ -	\$ 1,200	\$ 1,200	\$ 1,200	
307	IMS Training-Room Rental	\$ -	\$ -	\$ -	\$ 600	\$ 600	\$ 600	
327	Tape Cartridge	\$ -	\$ -	\$ -	\$ 27	\$ 30	\$ 30	
331	Vendor Software	\$ -	\$ -	\$ -				
413	Securid Card	\$ -	\$ -	\$ -	\$ 195	\$ 195	\$ 195	
755	Contract/Programmer/PCLAN	\$ -	\$ -	\$ -		\$ -	\$ -	
756	Project Office							
397	Direct Software Cost				\$ 25,903	\$ 92,783	\$ 99,471	
000	Misc.	\$ 1,163,000	\$ -	\$ -	\$ 5,972	\$ 6,000	\$ 6,000	
Total		\$ 2,951,109	\$ 1,038,360	\$ 1,038,360	2,216,560	3,017,102	4,173,033	
Staff Cost								
900	Contractors							
901	FTE							
Total Staff Cost		\$ 9,786,900	\$ 10,245,180	\$ 10,588,320	3,137,280	3,970,620	6,617,700	
170	DCS	\$ 25,200	\$ 25,000	\$ 25,000	175,000	175,000	175,000	
HHS Budget Cost (only)		\$ 350,000	\$ 350,000	\$ 350,000	275,000	275,000	275,000	
IMService - IS & T Grand Total		\$ 13,113,209	\$ 11,658,540	\$ 12,001,680	5,803,840	7,437,722	11,240,733	

## Budget Impacts for 2003, 2004 and 2005

### HIPAA Mandates:

	Total:	State:	Budget:
APD - Transaction/Code Sets and Project Office FFP/Status – Approved CMS - Time Frame 34 months (thru 07/04)	\$29 M	\$2.9	IS &T
APD – Privacy FFP/Status – In planning - Time Frame 34 months (thru 06/05)	\$17M	\$1.7	IS&T
AVATAR/(AIMS Replacement) FFP/None Status/Negotiations w/vendor - Time Frame 15 months (thru 10/04)	0	\$2.	IS&T
MDS/Minimal Data Sets FFP/None Status/May be included in Avatar	0	\$54,500	\$13,625 each VA Home
1 <sup>st</sup> Health (POS/Druggist) FFP/Status – Approved CMS - Time Frame (complete 10/02)	\$1,350M	\$159,258	IS&T
Magellan (previous vendor Value Options) FFP/Status (90/10 match)/Negotiations w/vendor - Time Frame – unk	\$ unk	\$ unk	? IS&T/Medicaid
24 Hr Facilities Pharmacy/Life Care FFP/Status – No federal match - HHS withholding \$60,000. Payment to vendor	\$ unk	\$ unk	IS&T
N-FOCUS – HIPAA Compliance FFP/50/50 Match rate - Time Frame – October 2003	\$1M	\$500,00	IS&T
Totals of known to date:	\$48,350M	\$7,313,758M	

## HIPAA (Health Insurance Portability and Accountability Act)

- **Overview:**

In 1996, Congress enacted the Health Insurance Portability and Accountability Act (Pub. Law 104-191). One part of the act addressed the high administrative cost of the nation's health system by standardizing and mandating electronic data interchange of certain administrative and financial transactions in order to achieve "administrative simplification." Transaction standards, security, privacy and other regulations are essential elements of a new system that emphasizes electronic data exchanges.

Full HIPAA rules and timeframes are unknown, since they are being advanced piece by piece, making a complete analysis and planning effort difficult.

<b>Rules</b>	<b>Publication Dates</b>	<b>Mandatory Compliance</b>	<b>Deadline Extension</b>
<b>Transaction and Code Sets</b>	<b>Final rule Aug. 17, 2000</b>	<b>October 16, 2002</b>	<b>October 16, 2003</b>
Changes to Transaction Standards	Proposed rule May 31, 2002 - comment period ends June 30, 2002	unknown	
Repeal NDC Standard	Proposed rule - May 31, 2002 - comment period ends June 30, 2002	unknown	
<b>Privacy</b>	<b>Final Rule – Dec. 28, 2000</b>	<b>April 14, 2003</b>	
National Provider Identifier	Proposed rule – May 7, 1998	unknown	
<b>National Employer Identifier</b>	<b>Final rule -May 31, 2002</b>	<b>unpublished/ 26 mos from final</b>	
Security & Electronic Signature	Proposed rule – Aug. 12, 1998	unknown	
(Final Electronic Signature standards will be issued in a separate rule from final Security standards.)			
Claims Attachments	not yet published	unknown	
Enforcement	not yet published	unknown	
National Health Plan Identifier	not yet published	unknown	
National Individual Identifier	not yet published	unknown	
First Report of Injury	not yet published	unknown	

Non-compliance could result in Federal monetary fines and criminal penalties and the threat of litigation resulting from unauthorized release of confidential information.